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18 October 1966

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CENTRAL INTELLIGENCE BULLETIN

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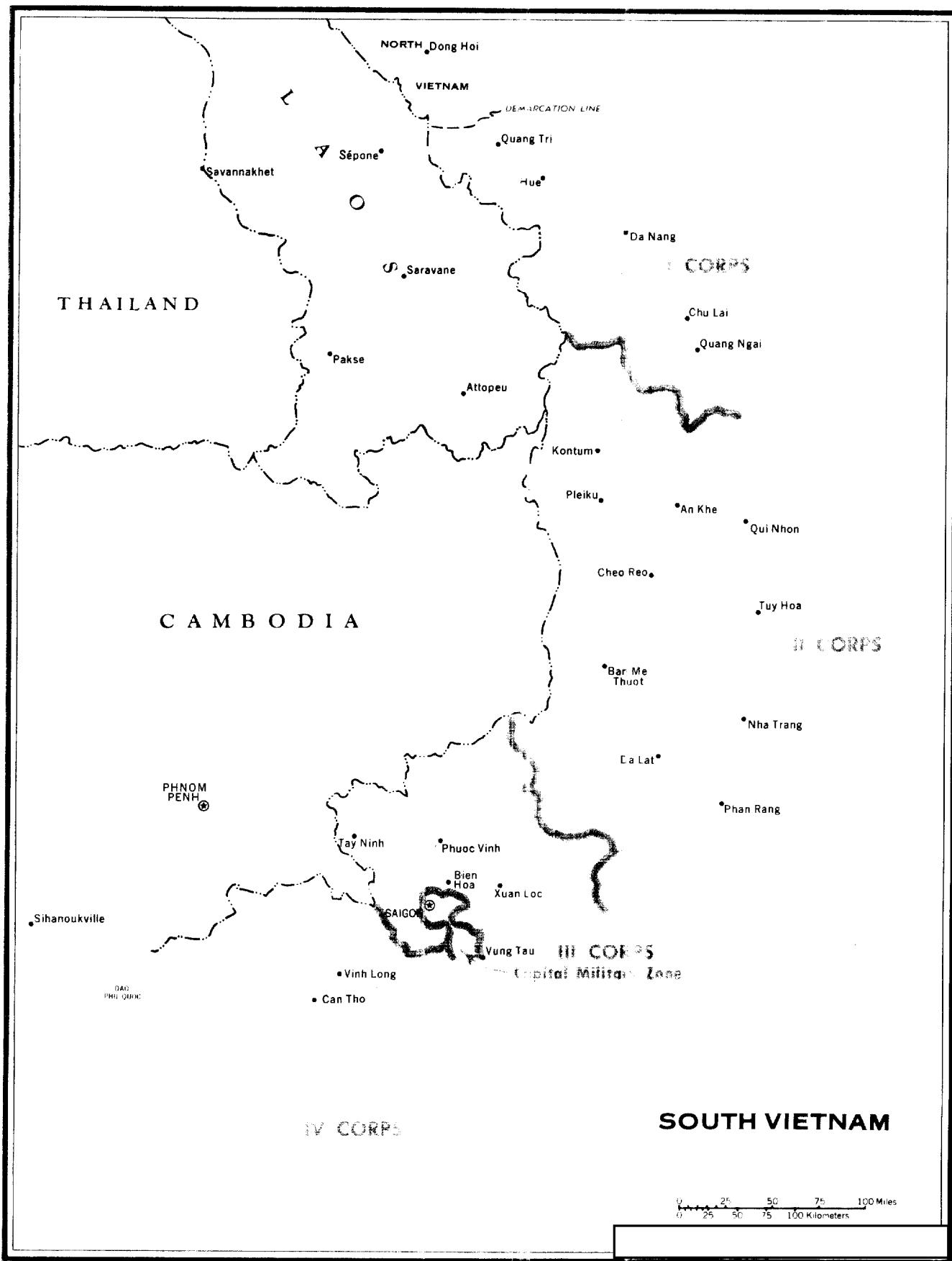
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*Vietnam: (Information as of 4:30 AM EDT)

Political Developments in South Vietnam: Southern political elements in the cabinet are continuing to apply pressure on Premier Ky before the Manila Conference in the hope of extracting major concessions.

In a letter to Premier Ky on 16 October, economy minister Au Truong Thanh submitted his resignation and asked that his name be withdrawn from the government's official delegation to Manila if a solution to the cabinet crisis is not found before the conference date. Thanh, who heads one of the more important ministries, has thus joined six other southern oriented ministers who preferred their resignations earlier this month and again on 17 October.

Last week, Premier Ky apparently thought he had obtained an agreement from the six not to take any further action until after the Manila Conference, but Thanh's letter and their latest resignations now may force a showdown before 24 October.

Southerners appear determined to force National Police Director Loan, a northerner and a close friend of Premier Ky, out of the government.

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Premier Ky was prepared to accept the resignations of the ministers after the conference rather than censure or replace General Loan. Ky's response to the latest development, however, is not yet clear.

The Military Situation in South Vietnam: There have been no reports of any significant military developments during the past 24 hours.

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France: A recent shift in the French position has improved the outlook for a meaningful Kennedy Round settlement.

According to French officials, France does not intend to place obstacles in the way of the Geneva trade and tariff negotiations "as long as reciprocity is observed." The US Embassy in Paris notes that the French no longer are concentrating on foot dragging, but are focusing on the modernization of their economy and on adaptation to the world-wide reduction of trade barriers.

The French are giving more favorable consideration to an international arrangement on grains that would minimize increases in world cereal prices and make provision for food aid. The embassy believes that on industrial tariff cuts, it is now official policy to accept the principle of general 50-percent reductions, subject to major qualifications.

The French position, however, does not rule out considerable hard bargaining, especially in specific industries such as chemicals, steel, and aluminum. Moreover, the embassy cautions that the present favorable policy may not last beyond the March 1967 elections.

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Dominican Republic: Some of President Balaguer's recent political actions and proposals could lead to a strong leftist reaction.

The government has issued a call for the partial disarming of former rebel military personnel now "integrated" into the military and stationed as a unit on the outskirts of Santo Domingo. Communist and non-Communist leftists quickly voiced alarm over the order viewing it as the latest measure aimed at harassing and eventually eliminating the "Constitutionalist" military. The former rebels, partly at the urging of Juan Bosch, have said they will not surrender their arms.

The President is reported to be considering another decree that would dissolve the leftist Santo Domingo port workers union, which Balaguer feels has contributed to "chaotic and anarchistic" conditions on the docks. The longshoremen have a tradition of militancy and are likely to resist.

Capping these measures, Balaguer on 14 October removed Interior Minister Castillo from his sensitive job without explanation, replacing him with Tomás Alcibiades Espinosa. Espinosa

right-wing politician who led the abortive November 1965 coup attempt against the García Godoy regime. Espinosa is regarded as anathema by the left.

A dangerous situation could develop if the left interprets these moves as an indication that Balaguer intends to erode its strength.

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NOTE

Belgium-Congo: Crucial negotiations are about to open between the Congolese Government and Union Miniere, the mining complex in Katanga. Union Miniere expects President Mobutu to take a tough line, at least initially, and demand conditions which would make the company's operations uneconomical. Company management is divided as to whether, if the demands are held to, Union Miniere should write off its Congo investment. Should it do so, other Belgian investors would be discouraged and the Belgian Government would be under pressure to disengage.

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